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**RESEARCH PARK CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/14/02



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**RESEARCH PARK CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**



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## Postlethwaite & Netterville

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
[www.pncpa.com](http://www.pncpa.com)

### INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Research Park Corporation  
Baton Rouge, Louisiana

We have audited the accompanying consolidated statements of financial position of Research Park Corporation and its subsidiary (not-for-profit organizations) as of December 31, 2001 and 2000, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of Research Park Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Research Park Corporation and its subsidiary as of December 31, 2001 and 2000, and their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2002 on our consideration of the Research Park Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
February 7, 2002

**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2001 AND 2000**

**ASSETS**

	<u>2001</u>	<u>2000</u>
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 10,160,645	\$ 1,453,516
Cash equivalents	-	6,383,810
Interest receivable	-	3,575
Taxes receivable	176,897	141,738
Other receivables	874	-
	<u>10,338,416</u>	<u>7,982,639</u>
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Master plan - development cost	-	11,606
Furniture and equipment	306,741	119,894
Data center software	3,793,964	2,540,873
Website	28,935	28,935
	<u>4,129,640</u>	<u>2,701,308</u>
Less: accumulated depreciation	(290,998)	(11,609)
	<u>3,838,642</u>	<u>2,689,699</u>
Land	2,099,615	5,842,400
Property and equipment - net	<u>5,938,257</u>	<u>8,532,099</u>
	<u>\$ 16,276,673</u>	<u>\$ 16,514,738</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 11,614	\$ 134,356
Accrued expenses	28,464	49,892
Other liabilities	2,444	-
Financing agreement payable	436,515	1,608,218
	<u>479,037</u>	<u>1,792,466</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Financing agreement payable, net of current portion	<u>2,470,526</u>	<u>7,298,199</u>
<b>CONTINGENCIES (Note 3)</b>	-	-
<b><u>NET ASSETS</u></b>		
Temporarily restricted	-	5,461
Unrestricted	13,327,110	7,418,612
	<u>13,327,110</u>	<u>7,424,073</u>
	<u>\$ 16,276,673</u>	<u>\$ 16,514,738</u>

The accompanying notes are an integral part of these statements.



**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

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**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b><u>CHANGES IN UNRESTRICTED NET ASSETS:</u></b>		
<b><u>REVENUES AND GAINS</u></b>		
State appropriations	\$ 8,442,066	\$ -
Tax revenue	752,076	620,537
Interest	566,663	97,566
Income from settlement	-	1,742,400
Gain on sale of land	4,073,585	-
Other	30,256	3,600
	<u>13,864,646</u>	<u>2,464,103</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS:</u></b>		
Satisfaction of program restrictions	<u>5,461</u>	<u>9,539</u>
<b><u>EXPENSES</u></b>		
Bad debt expense	7,145	-
Computer expenses	348,800	5,938
Consulting fees	88,436	181,634
Data center build-out	4,170,000	-
Depreciation	279,389	7,818
Dues, licenses & subscriptions	4,583	13,005
Employee benefits	30,056	29,725
Insurance	23,232	40,777
Interest	688,749	48,373
Marketing	22,187	14,886
Master plan impairment	11,606	318,911
Miscellaneous expenses	17,911	2,032
Office supplies	26,917	10,774
Outsourcing services	1,600,000	-
Payroll taxes	27,267	11,440
Postage and printing	25,287	17,678
Professional fees	94,461	264,245
Rent	61,875	4,690
Salaries and wages	373,008	149,529
Telephone	11,062	7,226
Travel	29,439	7,365
Utilities	20,199	-
	<u>7,961,609</u>	<u>1,136,046</u>
Increase in unrestricted net assets	<u>5,908,498</u>	<u>1,337,596</u>

The accompanying notes are an integral part of these statements.



**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**Page 2 of 2**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b><u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</u></b>		
Contributions	\$ -	\$ 15,000
Net assets released from restrictions	<u>(5,461)</u>	<u>(9,539)</u>
Increase (decrease) in temporarily restricted net assets	<u>(5,461)</u>	<u>5,461</u>
 <b><u>INCREASE IN NET ASSETS</u></b>	 5,903,037	 1,343,057
Net assets - beginning of the year	<u>7,424,073</u>	<u>6,081,016</u>
Net assets - end of year	<u>\$ 13,327,110</u>	<u>\$ 7,424,073</u>

The accompanying notes are an integral part of these statements.





**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase in net assets	\$ 5,903,037	\$ 1,343,057
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	279,389	7,818
Income from settlement	-	(1,742,400)
Write-off of prior master plan	11,606	318,911
Gain on sale of land	(4,073,585)	-
Changes in operating assets and liabilities:		
Taxes receivable	(35,159)	17,060
Interest receivable	3,575	(3,575)
Other receivables	(874)	-
Accounts payable	(122,742)	127,889
Accrued expenses	(21,428)	49,892
Other liabilities	2,444	-
Net cash provided by operating activities	<u>1,946,263</u>	<u>118,652</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Capital expenditures	(1,439,938)	(2,696,516)
Proceeds from sale of land	7,816,370	-
Net cash provided by (used in) investing activities	<u>6,376,432</u>	<u>(2,696,516)</u>
<b><u>CASH FLOWS FINANCING ACTIVITIES</u></b>		
Proceeds from financing agreement	-	8,906,417
Principal reductions of long-term debt	(5,999,376)	-
Net cash provided by (used in) financing activities	<u>(5,999,376)</u>	<u>8,906,417</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,323,319	6,328,553
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,837,326</u>	<u>1,508,773</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 10,160,645</u>	<u>\$ 7,837,326</u>
Cash paid for interest expense	<u>\$ 636,851</u>	<u>\$ -</u>

**NON-CASH INVESTING ACTIVITIES**

The Corporation settled a lawsuit during fiscal 2000, in which it received 10 acres of land valued at approximately \$1,742,400.

The accompanying notes are an integral part of these statements.





**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Nature of Activities

The State of Louisiana transferred a tract of land (at the State's cost) in 1993 to Research Park Corporation (the Corporation) (non-profit organization) to establish a research park. The purpose of the Research Park is to provide an area where various industries may set up their businesses while they are in the developmental stage. The research park will be used to attract these businesses to Louisiana. (See Note 3)

During the year ended December 31, 2001, the Corporation refocused its efforts to concentrate primarily on developing early-stage technology businesses. The Corporation formed the Louisiana Technology Park, LLC (LTP) as a subsidiary of the Corporation to act as the technology business incubator for the development stage companies. (See Note 4) The Technology Park, which is now in operation, also includes a commercial data center and commercial office space for technology companies. The commercial data center provides data storage and transmission capabilities to incubator companies. (See Note 6)

Two percent of the hotel-motel tax collections in East Baton Rouge Parish are dedicated to the East Baton Rouge Community Improvement Fund. Fifty percent of the tax monies collected by the Community Improvement Fund are allocated to the Corporation. The Corporation also receives state appropriations. (See Note 4)

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the consolidated financial statements to the reader.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation does not have any permanently restricted net assets at December 31, 2001 and 2000.

Consolidation Method

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, the LTP. All significant intercompany accounts and transactions have been eliminated in consolidation.

Income Taxes

The Corporation and the LTP are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is necessary.



**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. Summary of Significant Accounting Policies (continued)

Cash

For purposes of reporting cash flows, cash includes highly liquid investments with original maturities of three months or less. Cash equivalents include federal repurchase agreements which are considered highly liquid investments and are stated at cost which approximates fair value.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

All donor-restricted support is reported as an increase in temporary or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Funds received from state appropriations that are unrelated to capital outlay, are recognized in the period received, which normally equates to the fiscal period that the appropriation represents. All funds related to the capital outlay were recognized when the reimbursement was approved by the state. (See Note 4)

3. Lawsuit Settlement

The State of Louisiana had previously purchased and transferred a certain tract of land to the Corporation for the purpose of constructing a research park. A lesion action was filed against the State of Louisiana and the Corporation requesting that the Corporation rescind the sale of the land. The lawsuit was settled during 2000. The Corporation agreed to the following as part of the settlement: a) the Corporation delivered a ten acre tract of land to the plaintiff; b) the plaintiff delivered a twenty acre tract to the Corporation; and c) the Corporation gave the plaintiff an option to purchase certain tracts of land that the Corporation owns. The land that the Corporation received as a result of the settlement agreement was valued at its fair value at the date of the settlement agreement and was recorded as land and income in the accompanying financial statements. The Corporation is not currently using any of the land for operations.

In January, 2001, the Corporation received notification from the plaintiff of his intentions to exercise all of his options to purchase certain tracts of land, as referred to in (c) above. The Corporation received \$3,000,000 in January, 2001 from the sale of one tract of land and received \$4,816,370 in May, 2001 from the sale of a second tract of land pursuant to the terms of the option agreement.



**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

4. Cooperative Endeavor Agreement

Effective November 30, 2000 the Corporation and LTP entered into a cooperative endeavor agreement with the State of Louisiana and the Louisiana Department of Economic Development to provide state funding to the LTP. Through the year ended December 31, 2001, the State has provided the Corporation with \$2.6 million for fiscal year 2000 and \$5.8 million for fiscal year 2001. Included in the \$5.8 million received during fiscal 2001 were funds related to the build out of the data center for the data service provider (See Note 6) of approximately \$4.1 million. The Corporation and LTP must renovate and maintain facilities to provide for the Technology Park. The funds received must be used as payment or reimbursement for a portion of the project costs. Pursuant to the cooperative endeavor agreement, the Corporation and LTP will receive each year, subject to changes in state appropriations, funds from the state ranging from \$4.3 million to \$4.9 million through the year ending December 31, 2007 as long as it is operating the Technology Park.

5. Credit Risk and Concentrations

At December 31, 2001, the Corporation had bank balances in excess of the federally insured amount by approximately \$10,070,630. The Corporation believes the credit risk associated with this is minimal.

Since LTP is still in the initial phase of attracting incubator companies, it is dependent upon continued support from the hotel/motel tax and state funding.

6. Commitments

Outsourcing Agreement

The Corporation has entered into an outsourcing and service level agreement with a total service provider company in exchange for data center services. The agreement calls for monthly payments for several years escalating in amount depending on the number of incubator companies operating. The minimum payments according to the agreement are as follows:

Years ending December 31,	
2002	\$ 2,800,000
2003	3,400,000
2004	3,600,000
2005	3,600,000
2006	3,600,000
After	4,800,000

Subsequent to year-end, the service provider was negotiating the sale of the above agreement to another provider.





**RESEARCH PARK CORPORATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

6. Commitments (continue)

Financing Agreement

The Corporation has also entered into an agreement for the purchase of equipment for the data center with terms through October 2007. Obligations under the agreement have been recorded in the accompanying consolidated financial statements at the present value of future minimum payments discounted at 6.51%. During 2001, one scheduled payment was made on the original lease and an approximate \$5.2 million dollar pay down was made. The lease was refinanced after the large pay down with payments discounted at 6.51%. The equipment is now in use and being depreciated.

The future minimum payments under the refinanced agreement and the net present value of the future minimum payments are as follows:

2002	\$ 594,654
2003	594,654
2004	594,654
2005	594,654
2006	594,654
After	<u>594,654</u>
Total minimum agreement payments	3,567,924
Less: Amount representing interest	<u>( 660,883)</u>
Present value of future minimum payments	<u>\$ 2,907,041</u>

Lease Agreement

LTP has entered into a lease agreement for the technology park. The lease term is for 120 months. Rent is based on square footage at escalating lease amounts from \$5.50 to \$8.00 per square foot, plus an estimated \$1.60 per square foot for LTP's share of common area maintenance, real estate taxes, etc. LTP has not begun making rental payments due to the fact that the landlord's build-out still has not been completed to the Corporation's satisfaction as of December 31, 2001. The following are the minimum rentals, including estimated share of common area maintenance, under the lease assuming the work is completed at January 1, 2002:

2002	\$ 453,335
2003	517,185
2004	549,110
2005	549,110
2006	549,110
After	2,937,100

7. Warrants

LTP receives warrants to purchase shares in its incubator companies. These warrants are exercisable upon certain financing being achieved by the incubator company and have a term of ten years at exercise prices ranging from \$.10 to \$.367. The warrants are deemed to have minimal fair value at December 31, 2001 and have not been recorded in the accompanying financial statements.





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**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

The Board of Directors  
Research Park Corporation  
Baton Rouge, Louisiana

We have audited the consolidated financial statements of Research Park Corporation (a not-for-profit organization) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As a part of obtaining reasonable assurance about whether Research Park Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Research Park Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Research Park Corporation and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Pastlethwaite & Netterville*

Baton Rouge, Louisiana  
February 7, 2002

